



General Assembly

**Substitute Bill No. 6306**

January Session, 2009

\* \_\_\_\_\_HB06306GAE\_\_\_\_042409\_\_\_\_\_\*

**AN ACT ESTABLISHING A CODE OF CONDUCT FOR THE  
TRANSACTIONS BETWEEN NATURAL GAS DISTRIBUTION  
COMPANIES AND THEIR AFFILIATES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 16-47 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective from*  
3 *passage*):

4 (a) As used in this section [.] and section 2 of this act, (1) "holding  
5 company" means any corporation, association, partnership, trust or  
6 similar organization, or person which, either alone or in conjunction  
7 and pursuant to an arrangement or understanding with one or more  
8 other corporations, associations, partnerships, trusts or similar  
9 organizations, or persons, directly or indirectly, controls a gas, electric,  
10 electric distribution, water, telephone or community antenna television  
11 company, [. As used in this section,] and (2) "control" means the  
12 possession of the power to direct or cause the direction of the  
13 management and policies of a gas, electric, electric distribution, water,  
14 telephone or community antenna television company or a holding  
15 company, whether through the ownership of its voting securities, the  
16 ability to effect a change in the composition of its board of directors or  
17 otherwise, provided, control shall not be deemed to arise solely from a  
18 revocable proxy or consent given to a person in response to a public  
19 proxy or consent solicitation made pursuant to and in accordance with

20 the applicable rules and regulations of the Securities Exchange Act of  
21 1934 unless a participant in said solicitation has announced an  
22 intention to effect a merger or consolidation with, reorganization, or  
23 other business combination or extraordinary transaction involving the  
24 gas, electric, electric distribution, water, telephone or community  
25 antenna television company or the holding company. Control shall be  
26 presumed to exist if a person directly or indirectly owns ten per cent or  
27 more of the voting securities of a gas, electric, electric distribution,  
28 water, telephone or community antenna television company or a  
29 holding company, provided the department may determine, after  
30 conducting a hearing, that said presumption of control has been  
31 rebutted by a showing that such ownership does not in fact confer  
32 control.

33 Sec. 2. (NEW) (*Effective from passage*) (a) As used in this section,  
34 "affiliate" means a person, as defined in section 16-1 of the general  
35 statutes, or class of persons that, with a gas company, as defined in  
36 said section 16-1, is under the control of the same holding company, or  
37 a person or class of persons that the Department of Public Utility  
38 Control determines to stand in such relation to a gas company that  
39 there is liable to be an absence of arm's length bargaining in  
40 transactions between them as to make it necessary to protect  
41 ratepayers.

42 (b) The Department of Public Utility Control shall establish a code  
43 of conduct that sets minimum standards for gas company transactions  
44 with affiliates to achieve, at a minimum, the following goals:

45 (1) Provide rules for when the purchases or sales of goods or  
46 services between a gas company and an affiliate should be by written  
47 contract based on such factors as the nature, value and term of the  
48 purchase or sale;

49 (2) Provide rules with respect to sharing or giving access to certain  
50 types of customer identifying or commercially sensitive information to  
51 affiliates that may differ between regulated and unregulated affiliates;

52       (3) Provide for a system of records and reporting for transactions  
53 between a gas company and its affiliates;

54       (4) Establish standards to ensure that any payment by a gas  
55 company to any affiliate or from any affiliate to a gas company is  
56 appropriate and reasonable;

57       (5) Provide a standard for avoidance of conflict of interest between a  
58 gas company and affiliates;

59       (6) Ensure that any such transactions shall not have an improper  
60 and adverse impact on the costs or revenues of the gas company, on  
61 the rates and charges paid by gas company customers or on the quality  
62 of service provided by the gas company;

63       (7) Ensure that gas company ratepayers do not subsidize affiliate  
64 operations;

65       (8) Ensure fair, appropriate and equitable standards for purchases,  
66 sales, leases, asset transfers and cost or profit-sharing transactions or  
67 any type of financing or encumbrance involving a gas company and its  
68 affiliates; and

69       (9) Ensure that gas supply and distribution services are provided by  
70 a gas company in an appropriate manner to affiliates and nonaffiliates  
71 alike.

72       (c) In addition to the powers granted to the department in section  
73 16-8c of the general statutes, during a rate proceeding under 16-19 of  
74 the general statutes, the department may summon witnesses from an  
75 affiliate with which a gas company has had direct or indirect  
76 transactions, examine the affiliate under oath and order production,  
77 inspect and audit the books, records or other information relevant to  
78 any transaction that the department has reason to believe has or will  
79 have an adverse impact on the costs and revenues of the affiliated gas  
80 company. Proprietary commercial and proprietary financial  
81 information of an affiliate provided pursuant to this section shall be

82 confidential and protected by the department as the department deems  
83 appropriate, subject to the provisions of section 1-210 of the general  
84 statutes.

85 (d) Each gas company shall submit to the department records and  
86 such information as the department may require, at intervals  
87 determined by the department and in such form as the department  
88 may order regarding affiliate transactions.

89 (e) The department may, upon its own motion, investigate a gas  
90 company's compliance with the code of conduct, and any such  
91 investigation shall be a contested case, as defined in section 4-166 of  
92 the general statutes.

93 (f) The department may make orders to enforce the code of conduct,  
94 including, but not limited to, cease and desist orders and may levy  
95 civil penalties pursuant to section 16-41 of the general statutes against  
96 entities subject to the code of conduct.

97 (g) The code of conduct shall not prohibit communications  
98 necessary to restore gas company service or to prevent or respond to  
99 emergency conditions.

100 (h) On or before November 1, 2009, the department shall adopt  
101 regulations, in accordance with the provisions of chapter 54 of the  
102 general statutes, to establish the code of conduct in accordance with  
103 subsection (b) of this section, related accounting and reporting  
104 requirements and procedures for gas company and affiliate  
105 compliance with this section.

106 (i) Any methodology for the allocation of costs between a gas  
107 company and other companies under the control of the same holding  
108 company currently approved by, or under current orders issued by,  
109 the Securities and Exchange Commission under the Public Utility  
110 Holding Company Act of 1935 or the Federal Energy Regulatory  
111 Commission under the Public Utility Holding Company Act of 2005,  
112 shall be entitled to a rebuttable presumption of reasonableness.

113 Charges rendered to a gas company by an affiliate that is a traditional  
114 centralized service company shall be at cost and entitled to a rebuttable  
115 presumption of reasonableness.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>from passage</i>	16-47(a)
Sec. 2	<i>from passage</i>	New section

**ET**            *Joint Favorable Subst.*

**JUD**          *Joint Favorable*

**GAE**          *Joint Favorable*